

KATHLEEN VINEHOUT

STATE SENATOR

Senate Committee on Health, Health Insurance, Privacy, Property Tax Relief and Revenue

April 22, 2009

Good Afternoon Chairman Erpenbach and Committee members.

Thank you for the opportunity to testify on my Five Point Health Insurance Reform Plan. Over the past several months, Commissioner Dilweg and I collaborated on reforms to our health insurance regulations to bring certainty and consumer protection to those who purchase health insurance, especially in the individual market.

Our work is before you in Senate Bills 70, 71, 72. In addition, Senate Bills 73 and 74 are simple modifications to the state's Health Insurance Risk Sharing Pool (HIRSP).

In the current economy people are losing their jobs, which means they are also losing their health coverage. More people are increasingly relying on the individual insurance market for coverage. People want to know when they buy insurance they are really getting the coverage they expected.

Yet Wisconsin falls behind many other states in setting rules to protect consumers.

A recent report released by Families USA gave Wisconsin a failing grade on state consumer protections in the individual health insurance market. The findings of the report cited Wisconsin's current 2-year time limit on pre-existing condition exclusions as too long. A majority of states limit pre-existing conditions to twelve months or less. Wisconsin can too.

Additionally, Wisconsin doesn't protect consumers from having claims denied because the insurance companies are digging back years into the policyholder's medical history and alleging the individual <u>should have known</u> about a pre-existing condition. Twenty five other states limit this practice.

The proposals before you today would improve protections for consumers in several important ways:

Expanding Coverage

Health Insurance Coverage for Adult Children

- Require group and individual health insurance policies to cover unmarried adult children through 26 years of age under their parents' policies. The cost of coverage for adult children 19 through 26 years of age shall be included in the premium on the same basis as other dependent coverage. We know young adults are the least likely people to have coverage; approximately thirty percent of those age 19 to 29 are uninsured; thirty states require some coverage of adult children; ten states do not define dependents or allow this coverage even if they are not in school or financially dependent.
- In addition to adult child coverage through the age of 26, also require group and individual health insurance policies to cover any child, regardless of age, under their parent's policy whose education is interrupted by services in the National Guard or Reserves.

Modifications to HIRSP Eligibility and Flexibility in Maximum Lifetime Limits

- Currently people seeking coverage under the state's Health Insurance Risk Sharing Pool (HIRSP) must demonstrate that they have, in the past 9 months prior to application, received a notice of rejection from 2 or more insurers.
- This bill revises current law to require only one rejection notice for eligibility into HIRSP.
- Major medical expense coverage offered under HIRSP is currently subject to a lifetime limit of \$1,000,000. This bill allows the HIRSP Authority to increase the lifetime limit.
- Both of these modifications have the approval of the HIRSP Board.

Increasing Portability and Making It Easier For People To Change Insurance

Choices in Coverage

• The proposal allows consumers, at the time of their policy renewal to change coverage to a comparable product currently offered by their insurer or modify their existing coverage. These choices may include additional coverage, more limited benefits or higher deductibles. The consumer shall not be subject to any additional underwriting or any new preexisting conditions exclusion that did not apply to his or her original coverage.

Creditable Coverage

- The maximum pre-existing condition exclusion period for group health insurance policies is 12 months. Currently, if a person loses health insurance coverage but picks up coverage within 63 days, they can apply creditable coverage to the 12 month exclusion period.
- This bill allows individuals who lose health insurance coverage and pick up new group coverage within 90 days, to apply creditable coverage to the maximum pre-existing condition exclusion period on the new group policy.

Setting Limits on How "Pre-Existing Conditions" Can Be Used to Limit Coverage and Deny Claims

Limit Pre-existing Condition Exclusion to One Year

- The Kaiser Family Foundation explains the "maximum pre-existing condition exclusion period" as a limit on post-claims underwriting. Any claim filed during the exclusion period can be investigated as possibly pre-existing and, if found to be so, can be denied and coverage for all further care for that condition can be excluded during the exclusion period.
- The current pre-existing condition exclusion period for individual health insurance coverage in Wisconsin is 2 years. This bill limits the pre-existing condition exclusion period for individual health insurance coverage to 1 year. (at least 25 states are at one year or less).

Limit Pre-existing Condition Look Back Period

- The Kaiser Family Foundation explains the, "maximum look back period" as limiting the period of history preceding purchase of a policy that can be investigated for evidence of a preexisting condition.
- Current Wisconsin law does not place a limit on the maximum look back period. This bill would limit the "maximum look back period" for pre-existing conditions to 1 year. (26 states do this).

Require "Objective Standard" in Determining Whether a Pre-Existing Condition was Present Prior to Application for Coverage

• This proposal would apply the "objective standard" rather than the "prudent person standard" in determining pre-existing conditions under individual health insurance policies.

- The 'objective standard' allows only those conditions for which someone actually received medical advice, diagnosis, care or treatment prior to enrollment to be counted as pre-existing.
- Current law references the "prudent person standard" in determining whether a preexisting condition was present prior to the individual's date of enrollment for coverage by an individual health plan.
- The 'prudent person' standard includes conditions that were never diagnosed, but which exhibited symptoms for which an ordinary prudent person would have sought medical advice, care or treatment. 18 states follow the objective standard for defining pre-existing conditions.

Bringing Fairness to Appeals

Consumers Can Choose an External Review for Rescission or Exclusion

- Current law allows for independent review of adverse and experimental treatment determinations. There is no provision for review for dropped coverage or exclusion of pre-existing conditions.
- This proposal allows for an independent review of rescissions and pre-existing exclusion denial determinations at no cost to the consumer.

Evaluating Results

Standard Application Form

• This proposal gives the Commissioner of Insurance the authority to establish uniform insurance application with standard underwriting questions.

Evaluation and Annual Reporting

• This proposal also requires every insurer to annually report the total number of individual health insurance policies issued and the total number of policy cancellations or rescissions that were initiated or completed.

I urge the committee to support these health insurance proposals. While we continue to concentrate on reaching agreement on big picture health reform, we can take the small and immediately achievable steps to bring increased coverage, certainty and fairness to health insurance.

Thank you for your consideration.



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor Sean Dilweg, Commissioner

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Testimony of Eileen Mallow, Assistant Deputy Commissioner
To the Senate Committee on Health, Health Insurance, Privacy, Property Tax
Relief and Revenue
Senate Bill 70
April 22, 2009

Chairman Erpenbach and Members of the Committee:

Thank you for the opportunity to testify in support of Senate Bill 70, relating to coverage of dependents under health care plans.

In an attempt to directly address the young adult, uninsured population, states are enacting legislation to extend dependent benefits to older children.¹ For instance, those who enroll in college full time are the most likely in their age group to have insurance coverage, primarily because they are able to maintain eligibility under their parents' employer's policies.²

According to the National Conference of State Legislatures, there are twenty states requiring health insurance coverage for young adult dependents, without the caveat they be enrolled as full or part-time students or be a member of the armed services.

In Wisconsin, health insurers are not required to provide health insurance coverage to adult children. However, many insurers covering most of the commercial market do extend coverage to adult children if they are full time students, under the age of 25 and financially dependent on the subscriber (their parents).

In an economy where new graduates are not guaranteed employment upon graduation and employers are imposing probationary periods before health insurance coverage is available, SB 70 provides a common sense approach to ensuring generally low-risk young adults are insured until they are able to access coverage through their own employer.

Specifically, Senate Bill 70 requires health insurers to extend coverage to adult children, upon request of the insured, if they are under the age of 27, unmarried and do not have access to less expensive coverage through their employer. The bill also requires coverage for students whose education is interrupted by the U.S. armed forces, as long as the child is under the age of 27 when called to federal active duty.

¹ National Conference of State Legislatures. *The Changing Definition of "Dependent." Who is Insured and for How Long?*

² R.Colins, C. Schoen, J. L. Kriss, M. M. Doty, and B. Mahoto, "Rite of Passage? Why Young Adults Become Uninsured and How New Policies Can Help," The Commonwealth Fund, May 2006 p. 2

SB 70 is a positive step forward in ensuring young adults have access to health insurance coverage.

Thank you for the opportunity to testify in favor of SB 70 today. I welcome any questions.



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TO:

Chairperson Jon Erpenbach and Members of the Senate Health, Health

Insurance, Privacy, Property Tax Relief, and Revenue

FROM:

Gina Dennik-Champion, MSN, RN, MSHA

Executive Director, Wisconsin Nurses Association

DATE:

April 22, 2009

RE:

Support of SB 70 – Relating to coverage of dependents under health care plans.

Good morning Chairperson Erpenbach and members of the Senate Health, Health Insurance, Privacy, Property Tax Relief, and Revenue Committee. My name is Gina Dennik-Champion, I am a registered nurse and I am here today representing the Wisconsin Nurses Association (WNA). WNA is the professional association for all RNs in Wisconsin. As a professional nursing association, we collectively and collaboratively advocate for access to comprehensive quality health care services for all people. This in turn provides the person an increased opportunity for maintaining health and sustaining a life of quality.

Thank you for allowing me the opportunity to share WNA's support of SB 70, Relating to coverage of dependents under health care plans. WNA extends appreciation to Senator Vinehout, for sponsoring this legislation and the members of this committee who are supporting this legislation.

For background purposes, WNA would like to share that we are members of a health care reform discussion group that was facilitated by Senator Kathleen Vinehout and Representative Donna Seidel. This group consists of professional health care practitioners, health care providers, insurance companies, and other advocacy groups. The group discussed the barriers that exist for consumers in obtaining health insurance and the changes needed so that access to health care could be achieved. WNA is very appreciative of Senator Vinehout and Representative Seidel in bringing this group together, as we now have an opportunity for removing some of these barriers.

WNA has held a long-standing interest in health care reform. WNA, along with other members of the Wisconsin Nursing Coalition, developed a document in 1999 which has recently been revised that describes professional nursing's opinions and recommendations for health care reform. This document, *The Wisconsin Community of Nursing Agenda for Healthcare Reform* (January 2009), describes the need for a reformed health care system. WNA, as part of the nursing community, remains optimistic that true health care reform will occur, as we cannot as a society continue to have:

- 350,000 persons go without care or enter the system sicker, at higher cost entry points;
- Limited access to health care in rural communities and dense urban areas;
- Decreased personal incomes as more out-of-pocket health care costs rise:
- · A rapidly growing aging and culturally diverse population;
- Health disparities among underserved populations;
- Health care workforce shortages;
- Annual double digit increases in health costs;
- Decreased profits for business as health insurance costs rise;
- Gaps, fragmentation and duplication in delivery of services;
- · A "system" that is complex, confusing and wasteful; and
- Environmental practices that negatively impact healthy living.

As we wait for health care reform to occur nationally and in Wisconsin, we cannot ignore the real issues that are impacting real people in the pursuit of health care coverage for all. SB 70 addresses the issue of our young adults lacking access to health insurance. SB 70 will promote lower health care costs as the young adult can access affordable primary care services which in turn will promote prevention and health promotion.

Having access to these services can reduce the costs associated with accessing the more expensive services such as the emergency room. WNA encourages the passing of SB 70 as it addresses the type of health care services young adults require the most which is primary care. There are however, those instances when emergency care or hospitalization may be required. Having health insurance will avoid a young adult having to take out a loan or use a credit card to pay for their needed care. Given the current economic crisis, situations like this have a high probability of increasing. Our young adults should not have to become destitute to have access to health care, when they could be covered under their parents' current plan.

Thank you for providing WNA the opportunity to present our support of SB 70.